



RONALD R.
HAGELMAN,
JR.

CLTC, CSA, LTCP, has been a teacher, cattle rancher, agent, brokerage general agent, corporate consultant and home office executive. As a consultant he has created numerous individual and group insurance products.

A nationally recognized motivational speaker, Hagelman has served on the LIMRA and Society of Actuaries LTCI committees and is the president of the American Association for Long Term Care Insurance, as well as a master trainer for the LTCP professional designation. He is a principal in the agent sales training company Hagelman-Barrie Sales Training Solutions.

Hagelman can be reached at Hagelman Consulting, 156 North Solms Road, New Braunfels, TX 78132. Telephone: 830-620-4066. Email: ronjr@satx.rr.com.

“Let Them Eat Cake”

While I am not channeling Marie Antoinette, her legendary indifference to suffering and inherent class arrogance could indeed create the opportunity for a great long term care parable. However, our discussion today is not designed to accuse or find specific areas of blame.

The “Interdisciplinary Long Term Care Insurance Think Tank,” sponsored by the Society of Actuaries, did arrive at a fairly comprehensive picture of how long term care will look over the next 5 to 10 years. That vision is best perceived as a giant layer cake. There was amazing consensus on the structure of the cake. Although specific ingredients may vary, the concept of a cake layered with risk best described our general conclusions.

Let me reiterate what I believe were our think tank’s important conclusions. First, the insurance industry has a social and moral responsibility to assist and facilitate in maintaining adequate care at the appropriate time to all Americans. In many ways this is the defining moment for our industry—if we do not do all in our power to help in leveraging this risk, we have failed at a basic level to rationalize our own place in American society going forward. It is specifically the boomer age wave which threatens to overcome our basic commitment to universal care.

The second conclusion is that universal care will likely not come in the form of a monolithic, comprehensive government solution. Attempts, however, may be made to create a massive new governmental so-

lution. Ideas proposing a Medicare Part E, or a Medicaid Long Term Care Plus will be tossed around; however, in the end, those who are financially able will simply have to take personal responsibility for their own futures. There will not be a one-size-fits-all solution from the government.

The first layer of this imaginary cake is government reform. Medicaid reform is imminent and mandatory because the program’s original and honorable intentions—to provide assistance and dignity to those unable to provide for themselves—must remain in place. This is the cake’s foundation. This must stand as our absolute rock solid guarantee, that impoverished Americans will be provided basic care during life’s final transition.

The next layer is our industry, which must help to meet this challenge. This layer of risk would provide assistance in the three to five year benefit range. The most likely response would be the expansion of long term care partnership plans. The important concept is something must be at risk. Everyone who is financially able must have “skin in the game.” Additional ideas such as reverse mortgages, a voucher system, bonds for severe underwriting risks and, hopefully, innovative insurance products could all contribute to covering this primary layer of risk.

Again, our industry needs to work in cooperation with the government to hopefully enhance tax incentives—whether in the form of tax credits, premium deductibility or accessing other tax privileged programs.

It is very important to understand that healthcare and retirement security are, for the most part, delivered in America at the worksite. The insurance industry needs to increase its efforts to deliver coverage at work. The approach at the worksite is not to just add another benefit; it is simply the most logical and effective location from

which to provide coverage for this layer of basic risk.

The top layer of the risk concerns catastrophic risk and represents the proverbial icing on the cake. This will, by definition, remain the sole responsibility of the insurance industry. Lifetime benefits, higher limit daily benefits, indemnity and disability

models would continue to operate in this environment.

Partnership with government options, respect and commitment for those in need, plus a clear and certain understanding that everyone must accept responsibility for his own retirement security—all that is missing is the candles. 🌍